



July 17, 2003

Mr. Mike Bready, Director
Contract Management
Novell, Inc.
1800 South Novell Place
Provo, UT 84606-6194

Re: Royalty Payments and Audit Request pursuant to Asset Purchase Agreement
dated September 19, 1995

Dear Mr. Bready:

This letter is in response to yours of July 11, 2003.

Attached with this letter please find SVRx royalty payments from November 2002 through and including May 31, 2003. As you know, these payments are typically made to Novell on a quarterly basis. Recent payments were withheld pending our review of Novell's recent announcements regarding Linux. We are currently evaluating the scope of Novell's Linux-related activities for compliance with the terms of the September 19, 1995 Asset Purchase Agreement and its various amendments (collectively, the Asset Purchase Agreement").

We have provisionally determined that Novell announcements, standing alone, may not have violated the terms of the Asset Purchase Agreement for the royalty period in question. For this reason SCO management has authorized payment of the above-referenced royalty amounts. However, SCO expressly reserves and does not waive its right to withhold royalty payments for future periods if it is determined that Novell violates its obligations under the Asset Purchase Agreement with respect to any Linux-related activity.

With regards to your request to begin an audit on August 18, 2003 at 10:00 am in our offices, we would request Novell begin their royalty audit procedures the following week if possible. SCO's quarter ends July 31 and our auditors are scheduled to be at our offices for their quarterly review procedures during the week of August 18th. Our revenue and royalty finance teams will be fully engaged with our auditors. If you could start your audit the week of August 25th we could then give you our full and undivided attention for your audit needs and requirements. Please let me know if this is satisfactory.

Please direct all issues regarding the audit request to me.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Bench", written over a horizontal line.

Robert Bench
Chief Financial Officer